

INTRODUCTION

The Office of Internal Audit performed an audit of Berrien County DHS for the period December 1, 2006 through November 30, 2007. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Berrien County DHS had 143 full time equated positions (FTE's) at the time of our review. Berrien County DHS provided assistance to an average 21,835 recipients per month in FY 2007, with total assistance payments of \$33,130,634 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Berrien County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

CIMS/ASSIST/LASR

General Ledger

Modified Accrual Balance Sheet

Payroll and Timekeeping

Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that Berrien County DHS internal controls were generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found no instances of noncompliance with policies and procedures for controlled documents, client processing, payroll and timekeeping, procurement card usage, general ledger, modified accrual balance sheet, SER payments, or Direct Support Services. However, we noted instances of noncompliance with policies and procedures in other areas, which are detailed in the findings and recommendations that follow.

LOCAL OFFICE RESPONSE

The management of Berrien County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail dated June 27, 2008 that they are in general agreement with the report and have implemented corrective action for all findings.

FINDINGS AND RECOMMENDATIONS

CIMS and ASSIST Security

Fiscal staff with FLM status

1. Berrien County DHS assigned FLM status on the Client Information Management System (CIMS) to one fiscal staff. This status would allow full file maintenance capability, including case registration and eligibility functions.

Local Office Internal Control Criteria for DHS states that fiscal staff be assigned inquiry only (INQ) on CIMS.

WE RECOMMEND Berrien County DHS change the CIMS status of all fiscal staff to INQ only.

Disbursements

Separation of Duties

2. Berrien County DHS had one employee who operates the check signing machine and also had access to the blank check inventory. Accounting Manual 410.1 states that for internal control purposes, the person who operates the check signing machine should not have access to the blank check inventory.

WE RECOMMEND that Berrien County DHS have an employee who does not have access to blank check inventory operate the check signing machine.

Cash Receipts

Voided Receipts

3. Berrien County DHS was not recording voided receipts in the Cash Receipts Register. Accounting Manual 433 states that voided receipts are to be entered into the Cash Receipts Register as Memo Receipts.

WE RECOMMEND that Berrien County DHS enter voided receipts into the Cash Receipts Register.